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Five Year Financial Review Years Ended January 31

	1981	1980	1979	1978	1977
	(thousands of dollars)				
Sales	12,505	11,222	9,007	5,850	4,938
Income before extraordinary items	548	954	726	191	62
Net income	548	954	827	357	202
Cash flow from operations	1,035	1,447	1,071	538	297
Research and development expenses (net)	1,224	998	757	580	432
Working capital	2,382	2,097	1,700	1,271	1,025

Common Share Data

Income before extraordinary items	\$ 0.59	\$ 1.06	\$ 0.81	\$ 0.20	\$ 0.05
Net income	\$ 0.59	\$ 1.06	\$ 0.92	\$ 0.39	\$ 0.20
Cash flow from operations	\$ 1.14	\$ 1.62	\$ 1.20	\$ 0.60	\$ 0.32
Shareholders' equity at book value	\$ 4.73	\$ 4.10	\$ 3.10	\$ 2.17	\$ 1.79
Return on equity	14.0%	29.6%	35.3%	19.8%	12.5%
Weighted average number of shares outstanding	888,553	883,158	874,324	858,156	857,765

The Company

Scintrex Limited is a Canadian-owned high technology company engaged in the research, design and manufacture of geophysical and geochemical exploration instrumentation, nuclear reactor monitoring devices, and other scientific products. The company also provides ground and airborne exploration and consulting services.

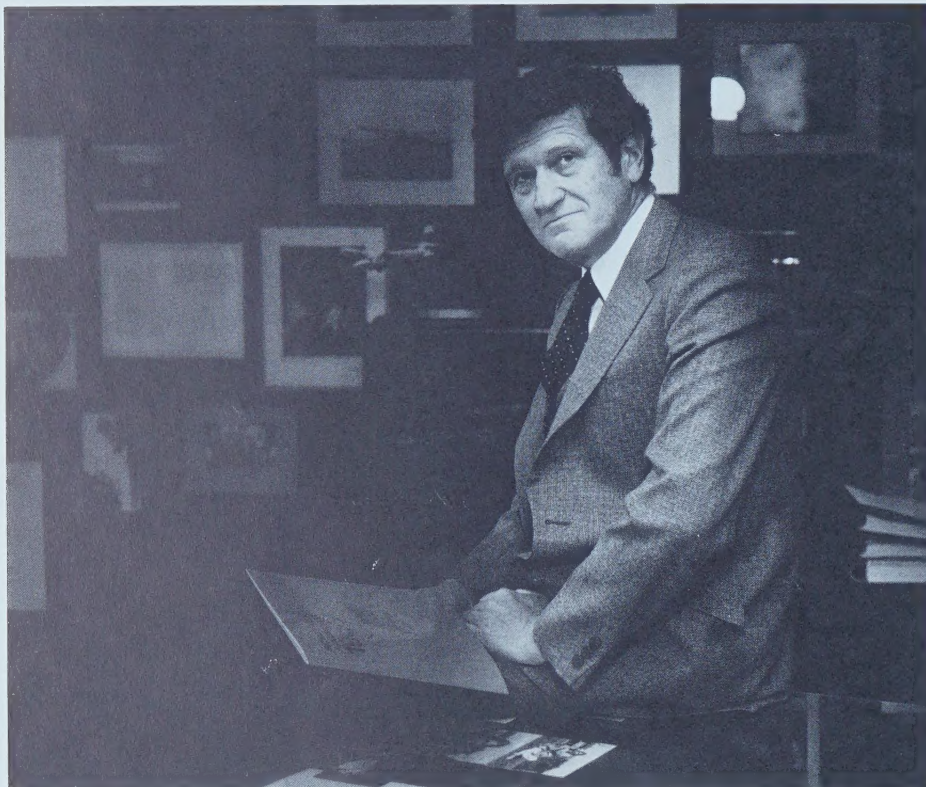
Scintrex's products, services and know-how have contributed directly to numerous mineral discoveries around the world. Over 75% of the company's sales are exported to over seventy different countries. Among Scintrex's clients are major

mining companies, the United Nations, and governmental agencies in Canada and abroad.

Since the company's inception in 1960, in-house research and development has been the primary source of new products and services. Scintrex's scientists are engaged in a variety of development programs ranging from basic research in pure physics and chemistry directed to improving exploration techniques, to the adaptation of new developments in electronics for the production of more accurate and reliable instrumentation.

Annual Meeting

The Annual General Meeting will be held June 10, 1981 at 10 a.m. in the Algonquin Room of the Royal York Hotel, Toronto.



Report to the Shareholders

Financial Results

The year ended January 31, 1981—Scintrex's 20th year of operation—was one of mixed results. While sales increased moderately, earnings fell. Working capital continued to rise and the company's order backlog increased substantially over the year. Development was completed on several important new products and services.

Consolidated sales increased 11% to \$12,505,000 compared to \$11,222,000 in the previous year, and net income after taxes was \$548,000, or 59¢ per share, compared to \$954,000, or \$1.06 per share, a year earlier. Several factors contributed to the lower profit. First,

operating costs including research and development, administrative and selling expenses rose more than sales. In addition, the sales mix of products and services comprised a higher than normal percentage of relatively low margin items and finally, Scintrex did not meet its targeted 20% increase in sales. One cause of this short-fall was the excessive delay in the granting of an export licence for the \$1,100,000 data processing centre for the People's Republic of China. As a result, the computer, scheduled for delivery in 1980, will be delivered this year. Moreover, in the first half of the year, exploration equipment shipments to certain foreign customers were held up by delays in letters of credit.

Scintrex is in a strong financial position. The company has no long-term debt and by the year-end had a record high working capital of \$2,382,000, up \$284,000 from the previous year despite an investment of \$925,000 in plant improvements and equipment additions, \$435,000 of which was invested in new survey equipment for the Exploration Services Group.

Operations

Sales of exploration equipment, the largest part of Scintrex's business, rose 14% in dollar volume over the previous year, with exports to seventy different countries. Several large sales of uranium detection instruments were made despite a general reduction in uranium exploration. An example was a \$1,750,000 contract to supply airborne radiometric equipment for Uranio Mexicana, the Mexican state-owned uranium exploration agency; 60% of which will be shipped in 1981. In addition, the company won a \$750,000 contract to supply this year a Tridem-3 airborne electro-magnetic system with a magnetometer, radiometric sensors, and peripheral devices to Geosurvey International, a leading geophysical survey company.

The Exploration Services Group recorded a solid gain in survey revenue. In particular, our Australian subsidiary achieved all-time sales and earnings records despite a serious disruption caused by a fire in the Perth office in 1980. This subsidiary contributed 26% of Scintrex's profits for the year. There was increased use of the rapid reconnaissance magnetic induced polarization (RRMIP) method in exploring for gold and other precious metals in

Australia and an extensive induced polarization (IP) and electromagnetic (EM) logging program carried out in Greece in the search for base and precious metals. In Canada the magnetic induced polarization (MIP) method was successfully employed in certain areas having special geophysical problems and five-frequency Turam-type (SE-77F) surveys were used in searching for deeply buried mineral targets. The Exploration Services Group also developed special techniques for conducting high resolution helicopter-borne electromagnetic surveys using radar-ranging navigational control.

Shipments of nuclear reactor instrumentation fell substantially in 1980. This situation improved later in the year when Scintrex won two contracts totalling \$2.8 million to supply radiation monitoring devices to Ontario Hydro's nuclear power plants. More than 50% of these orders are scheduled for shipping this year and the balance over the next three years.

Research and Development

Scintrex continued its strong commitment to research and development (R&D). During the year the company invested \$1,553,000 on developing new products and services, up 30% from a year earlier. Industrial clients contributed \$312,000 and the Canadian government \$17,000 to support these projects.

Two important R&D projects resulted in the development of the IPR-11 Time-Domain IP Receiver System and the AAZ-2 Zeeman-Modulated

Atomic Absorption Spectrometer, each representing some four years of research work.

The IPR-11 is the first of a new generation of microprocessor-based portable ground geophysical instruments made by Scintrex which have the potential to materially lower the cost of surveys. Not only does the IPR-11 gather basic field data at a rate two to three times faster than existing receivers but its built-in intelligence permits it to automatically process and format data and present it directly in report-worthy form. Orders for this equipment have been received from clients in North America and Australia.

The AAZ-2, designed originally for geochemical analysis, offers high sensitivity (one part per billion or better for many elements), high specificity, low power consumption, portability, ruggedness and low cost operation. The first units are scheduled to be produced in 1981 and orders for the AAZ-2 have already come from the earth science market. In addition, Scintrex is determining if the AAZ-2 could be sold as a general analytical instrument for analysing environmental, clinical and forensic data. The results of this market study will show this equipment's potential for the non-earth science market.

Scintrex, with four members of the Department of Chemistry at York University, Toronto, has formed Unisearch Associates Inc., a company engaged in contract research. The company holds a one-third interest in Unisearch, provides it with certain research facilities and management services and has the option

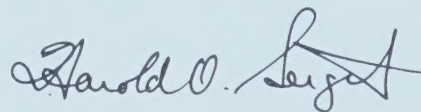
to manufacture and market scientific instruments developed by Unisearch. At present Unisearch has a contract to develop a laser-based device for analysing minute quantities of nitric acid ("acid rain") in ambient air.

Outlook

Scintrex expects higher sales this year based on its current backlog of \$9.5 million, compared to \$5.1 million a year earlier, and this should contribute to improved earnings.

The company is well positioned in domestic and international markets to grow in the 1980's. It has the combination of people, capital and technology to produce a competitive range of products and services for the natural resource industry.

Scintrex is a successful high technology company primarily because of the ability and dedication of its employees. I should like to take this opportunity to thank them for their efforts and to express my appreciation to the Board of Directors for their wise counsel to management during the year.



Harold O. Seigel, Ph.D., P.Eng.
President
May 1, 1981



Products and Services

Exploration Equipment Division

This is the major part of Scintrex's business. It includes the design, development and manufacture of geophysical and geochemical instruments for the mining industry including

Radiometrics: Uranium deposits emit gamma radiation. Scintrex gamma-ray detecting instruments for uranium exploration range from scintillation counters and spectrometers used for borehole logging and ground prospecting to complex airborne radiometric systems which collect computer-compatible data. For example, the GAM 2001 multi-channel gamma-ray spectrometer which was introduced in 1979 is still regarded as the most advanced instrument of its type for the highest specification airborne uranium surveying.

Analytical Instrumentation: The company has invested a large portion of its research funds to develop instrumentation for elemental analysis. A major success has been the

unique UA-3 Uranium Analyzer, which is based on a patented laser-induced fluorescence phenomenon. This highly sensitive instrument is capable of measuring as little as 0.05 parts per billion of uranium in natural waters or aqueous solutions derived from silts, soils, rocks, effluent or other media. The UA-3 has gained wide acceptance as a basic analytical tool for both field and laboratory in exploration, health physics and in process control at uranium mills.

Other instruments in the group include the HGG-3, field-portable, mercury spectrometer which measures mercury in soils, soil gases, rocks, water and sediments; and the ETR-1 Emanometer which traces radon and thoron in soil gas.

The newest addition to this group is the AAZ-2, Zeeman—modulated atomic absorption spectrometer. This instrument has many novel technical features which are of advantage not only in the geochemical market but also in other analytical applications.

Radiometric equipment in Uranio Mexicana aircraft
AAZ-2 Atomic Absorption Spectrometer



Induced Polarization: Induced polarization (IP) equipment employed in base metal ground surveying is a major product group. The IP technique was developed by Dr. Seigel in 1948 and it has played an important role in several major mineral discoveries. The company has recently developed the new IPR-11 micro-processor-based receiver, as well as new transmitters, as part of the ongoing process of improving the speed, accuracy and versatility of this equipment in the field.

Magnetics: Scintrex has been producing magnetometers since the late 1940's and pioneered in the development of the first portable North American electronic magnetometer in 1961. These instruments are used in ground and airborne applications, for mineral and petroleum exploration, geological mapping, and for geophysical research.

Electromagnetics: The company manufactures electromagnetic equipment for base metal surveying from the air, on the ground and in

boreholes. In recent years it has focused its efforts on the development of three unique airborne systems: the Turair and HEM-802 for helicopter surveys and the Tridem for fixed-wing aircraft. A recent successful example of the use of the Tridem system was its installation in a De Havilland Twin Otter for survey work in the People's Republic of China.

Exploration Services Group

Scintrex's professional staff of geophysicists and technicians provide contract exploration and consulting services in more than forty countries, and their technical excellence has contributed directly to at least sixteen major mineral discoveries.

Due to its unusually broad product line, Scintrex is able to offer a complete range of ground, airborne and drillhole geophysical surveys as well as many geochemical services. In addition, this division gives the company an in-house testing facility for examining new equipment under field conditions.

Contract Instrumentation Division

The company produces sophisticated electronic instrumentation for uses unrelated to mining exploration. For example, in 1974 Scintrex began developing monitoring instrumentation for CANDU nuclear power plants. Since then the company has manufactured tritium-in-air monitors, trip test amplifiers, reactivity control logic cabinets, shut-off rod logic modules, high radiation hand-held monitors, thermoluminescent plaques, an auto urinalyzer, a laundry monitor and logic panels for shut-down systems. The equipment has been sold to CANDU reactor users in Ontario, Quebec, New Brunswick, Korea and Argentina.

Research and Development

Management views research and development as being of vital importance to the growth and prosperity of Scintrex; virtually all current sales of instruments and services are based on products and techniques developed within the last ten years.

The R & D department is a key group with 50 employees, including 15 professional engineers, trained in such diverse areas as electronics, mechanical and chemical engineering, nuclear physics and nuclear chemistry. The department comprises the following primary sections: Electronic Instrumentation, Nuclear Applications Research Laboratory, Analytical Instrumentation, Design and Documentation, and Systems Engineering. This structure allows specialists to be drawn from different sections to solve technical problems in a variety of R & D projects.

In the past six years Scintrex has invested about \$4 million in R & D.

Marketing

The mining industry is Scintrex's primary market. Customers are—major mining companies, geological surveys of governments in many countries, international agencies such as the United Nations and the International Atomic Energy Agency, and educational institutions. Commissioned agents represent the company in about 45 countries.

Exports comprise more than 75% of all exploration equipment sold. The largest importers of products in recent years have been Algeria, Australia, Brazil, the People's Republic of China, India, Mexico, Sweden, and the U.S.A. No single instrument accounts for more than 10% of total equipment sales.

Facilities

The Concord plant, measuring 46,000 sq. ft., serves as the head office and houses manufacturing, R & D, marketing and administration. This modern facility is owned by the company. Scintrex's U.S. agent owns a plant in Salt Lake City, Utah for assembling, repairing and maintaining a lease-pool of equipment, and the Australian subsidiary has similar facilities in Sydney and Perth.

Consolidated Financial Statements

January 31, 1981

Consolidated Balance Sheet January 31

	1981	1980
Assets		
Current:		
Cash	\$ 72,842	\$ 75,418
Accounts receivable	2,694,201	1,755,865
Inventories (Note 2)	2,843,297	2,063,506
Survey contracts in progress	408,188	433,518
Prepaid expenses and sundry assets	25,323	15,975
	6,043,851	4,344,282
Property, plant and equipment (Note 3)	2,130,093	1,748,586
Other (Note 4)	139,303	173,838
	\$8,313,247	\$6,266,706
Liabilities		
Current:		
Bank indebtedness (Note 5)	\$1,576,482	\$ 218,836
Customer deposits	211,465	188,464
Accounts payable and accrued liabilities	1,653,556	1,250,622
Income taxes	44,532	29,095
Deferred income taxes	176,234	103,370
Mortgage payable	—	456,420
	3,662,269	2,246,807
Deferred income taxes	118,000	69,000
	3,780,269	2,315,807
Shareholders' Equity		
Capital stock (Note 6)	1,722,619	1,689,204
Contributed surplus—proceeds from the sale of 1,274 common stock acquired, net of cost	18,902	—
Retained earnings	2,791,457	2,263,479
	4,532,978	3,952,683
Less common stock acquired and held by the company, at cost (1980—1,274 shares)	—	1,784
	4,532,978	3,950,899
	\$8,313,247	\$6,266,706

See accompanying notes.

On behalf of the Board:

Harold O. Seigel, *Director*

Alfred J. Shaul, *Director*

Consolidated Statement of Income Year ended January 31

	1981	1980
Sales	\$12,505,468	\$11,222,237
Cost of sales and operating expenses	9,919,207	8,284,008
Research and development expenses	1,552,843	1,189,983
Depreciation and amortization	468,855	407,615
Interest on long-term debt	34,798	52,687
Interest on short-term borrowings	157,603	86,305
	12,133,306	10,020,598
Less research and development grants:		
Government	17,274	105,976
Industry	311,592	85,793
	328,866	191,769
	11,804,440	9,828,829
Income before income taxes	701,028	1,393,408
Income taxes (Note 7):		
Current	31,536	267,193
Deferred	121,864	172,370
	153,400	439,563
Net income	\$ 547,628	\$ 953,845
Earnings per common share (Notes 6 and 8)	\$0.59	\$1.06
Assuming full dilution (Notes 6 and 8)	\$0.52	\$0.89

Consolidated Statement of Retained Earnings Year ended January 31

	1981	1980
Retained earnings, beginning of year	\$2,263,479	\$1,368,584
Net income	547,628	953,845
	2,811,107	2,322,429
Dividends paid on preference shares	19,650	58,950
Retained earnings, end of year	\$2,791,457	\$2,263,479

See accompanying notes.

Consolidated Statement of Changes in Financial Position

Year ended January 31

	1981	1980
Funds provided:		
From operations:		
Net income	\$ 547,628	\$ 953,845
Add (deduct) items not affecting working capital:		
Depreciation and amortization	468,855	407,615
Non-current deferred income taxes	49,000	69,000
Pre-tax loss (gain) on sale of assets	(30,080)	16,122
Working capital from operations	1,035,403	1,446,582
Proceeds from sale of property and equipment	149,592	37,104
Proceeds from sale of common stock acquired	20,686	3,200
Issue of share capital	33,415	—
	1,239,096	1,486,886
Funds used:		
Additions to property and equipment	925,339	578,757
Reduction of mortgage payable	—	456,420
Dividends paid on preference shares	19,650	58,950
Sundry investment	10,000	—
	954,989	1,094,127
Increase in working capital	284,107	392,759
Working capital, beginning of year	2,097,475	1,704,716
Working capital, end of year	\$2,381,582	\$2,097,475

See accompanying notes.

Notes to Consolidated Financial Statements January 31, 1981

1. Summary of significant accounting policies:

Principles of consolidation:

These financial statements include the accounts of the company and its subsidiary companies, all of which are wholly-owned. All significant intercompany transactions are excluded from these financial statements.

Foreign exchange:

Current assets and liabilities of foreign subsidiaries have been translated at year-end rates of exchange and the remaining assets and liabilities at historical rates. Revenue and expenses have been translated at weighted average exchange rates for the year with the exception of depreciation and amortization which were based on the historical rates for the related assets.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out) and net realizable value.

Survey contracts in progress:

The percentage of completion method of accruing profit on survey contracts in progress is used, with anticipated losses being provided in full.

Property, plant and equipment:

These assets are carried at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

Other assets:

Commencing with the 1975 fiscal year, the excess of cost of subsidiary over book value on acquisition is being amortized on the straight-line method over 10 years. Patents and processes are being amortized on the straight-line method over 20 years.

Income taxes:

Deferred income taxes are provided to record the income tax effect of timing differences in reporting transactions for financial statement and income tax purposes. Such timing differences relate principally to depreciation and the reporting of income on survey contracts in progress. Investment tax credits are accounted for using the flow-through method.

2. Inventories:

	1981	1980
Raw materials	\$ 686,876	\$ 463,291
Work-in-progress	1,363,310	1,183,831
Finished goods	793,111	416,384
	<u>\$2,843,297</u>	<u>\$2,063,506</u>

3. Property, plant and equipment:

	1981	1980
Building	\$ 911,688	\$ 822,541
Equipment	3,109,613	2,461,046
	<u>4,021,301</u>	<u>3,283,587</u>
Less accumulated depreciation	1,981,137	1,624,930
	<u>2,040,164</u>	<u>1,658,657</u>
Land	89,929	89,929
	<u>\$2,130,093</u>	<u>\$1,748,586</u>

4. Other assets:

	1981	1980
Patents and processes, at cost less amortization	\$ 28,142	\$ 38,957
Excess of cost of subsidiary over book value on acquisition, less amortization	101,161	134,881
Sundry investment, at cost	10,000	—
	<u>\$139,303</u>	<u>\$173,838</u>

5. Bank indebtedness:

The bank indebtedness is secured by a floating charge on all the assets of the company.

6. Capital stock:

Authorized:

350,000 6% Cumulative, non-voting, convertible, preference shares, par value \$1 each (a)

3,000,000 Common shares, no par value

Issued:

	Preference		Common		
	Number of shares	Par value	Number of shares	Consideration	Total consideration
Outstanding at beginning of year	327,500	\$327,500	885,015	\$1,361,704	\$1,689,204
Issued under employee stock option plan	—	—	8,850	33,415	33,415
Outstanding at end of year	327,500	\$327,500	893,865	\$1,395,119	\$1,722,619

(a) Preference shares:

The preference shares may be converted at any time by the holder or holders thereof into fully-paid common shares (as presently constituted) of the company on the basis of one common for two preference shares. Dividends on these 6% cumulative preference shares are payable semi-annually on the last days of July and January of each year. These shares are non-voting unless the company has failed to pay dividends for a period of two years. As of January 31, 1981 there are no dividends in arrears.

(b) Employee stock option plan:

40,400 common shares remain under the company's 1980 Incentive Stock Option Plan. These options may be exercised at certain intervals before July 1, 1983 at a price of \$6.525 per share.

7. Income taxes:

The income tax expense for the year does not bear the normal relationship to income before taxes as recorded in the income statement because of investment tax credits utilized by the company and the variety of tax rates in the different countries in which the company operates.

8. Earnings per share:

Earnings per share are calculated using the weighted average shares outstanding (1981—888,553; 1980—883,158).

Fully diluted earnings per share would result if the preference shares were converted into common shares. There would be no dilution if the options under the 1980 Stock Option Plan were exercised.

9. Remuneration of directors and senior officers:

Total remuneration paid to directors and senior officers amounted to \$278,000 for the year (\$265,000 in 1980).

10. Segmented information:

The company is engaged in the research, design and manufacture of geophysical and geochemical exploration instrumentation, nuclear reactor monitoring devices, and provides ground and airborne exploration and consulting services for selected markets worldwide.

Information by geographic areas for the year ended January 31, 1981 is presented below:

	Canada	Australia	Eliminations	Total
Identifiable assets	\$ 6,960,000	\$ 1,353,000	\$ —	\$ 8,313,000
Capital expenditures	\$ 780,000	\$ 145,000	\$ —	\$ 925,000
Depreciation and amortization	\$ 369,000	\$ 100,000	\$ —	\$ 469,000
Sales to unaffiliated customers	\$ 9,637,000	\$ 2,868,000	\$ —	\$12,505,000
Transfers between geographic segments	460,000	—	(460,000)	—
Total sales	\$10,097,000	\$ 2,868,000	\$ (460,000)	\$12,505,000
Operating profit	\$ 659,000	\$ 234,000	\$ —	\$ 893,000
Interest expense				(192,000)
Income taxes				(153,000)
Net income				\$ 548,000

The Canadian operations include export sales as follows:

Latin America	\$2,418,000
Europe	1,311,000
U.S.A.	1,303,000
Asia/Africa	1,410,000

Auditors' Report

To the Shareholders of Scintrex Limited

We have examined the consolidated balance sheet of Scintrex Limited as at January 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1981 and the results of its operations and changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
April 3, 1981.

LAVENTHOL & HORWATH
Chartered Accountants.

Directors and Officers

Directors

Harold O. Seigel, Ph.D., P.Eng.
President

Alfred J. Shaul, Q.C.
Secretary

William L. Seigel, C.A.
Management Consultant

Gerald Stork, C.A., P.Eng.
Vice President

Jon G. Baird, P.Eng.
Vice President

Harold I. Schiff, Ph.D.
Professor of Chemistry

J. Denis Whitaker
Management Consultant

Officers

Harold O. Seigel, Ph.D., P.Eng.
President

Gerald Stork, C.A., P.Eng.
Vice President

Jon G. Baird, B.Sc., P.Eng.
Vice President

Alfred J. Shaul, Q.C.
Secretary

Anthony W. Howland-Rose, M.Sc.
Vice President

Solicitor

Alfred J. Shaul, Q.C.

Bankers

Bank of Nova Scotia

Auditors

Laventhol & Horwath

Transfer Agent and Registrar

Guaranty Trust Company of Canada

Stock Listing

Toronto Stock Exchange, symbol
"SCT"

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